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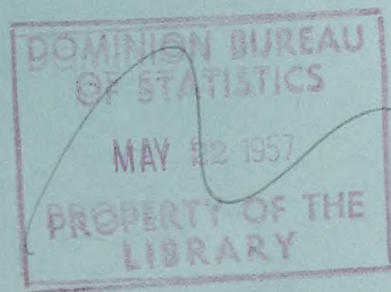


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ALBERTA GOVERNMENT TELEPHONES

ANNUAL REPORT

1931 - 1932



EDMONTON , ALBERTA



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ALBERTA GOVERNMENT TELEPHONES

Edmonton, December 31st, 1932.

Hon. George Hoadley,
Acting Minister of Railways & Telephones,
EDMONTON, Alberta.

Dear Sir:

I submit herewith the Twentieth Annual Report of the Alberta Government Telephones for the year ended March 31st, 1932.

The deficit on the year's operations, of \$615,281.46 is a direct reflection of the economic depression which has similarly affected all business during the period under review. Added to the deficiency of 1931 the total corporate deficit now stands at \$654,952.11.

All extension work was cancelled except the Trans-Canada Telephone lines which were completed during the period and opened for public service by the Governor-General of Canada with appropriate ceremony on January 25th, 1932. Increasing use of these facilities even under depression conditions promises to make the venture decidedly remunerative, as soon as general business revives.

OPERATION:

During the year Operating Revenues dropped from \$3,555,992 to \$2,969,722 or 16.49%, Long Distance revenue again showed

the heaviest falling off, from \$1,243,538 to \$986,766 or 20.66%, closely followed by rural telephone revenue with a falling off of 19.40%.

Station losses have again been very heavy.

In the two years from April 1st, 1930 until March 31st 1932 we have suffered a net loss of 4,945 exchange telephones, and 6,936 rural telephones.

Effective economies have been introduced to meet these conditions and an active sales campaign, still in progress, has helped in some measure to cope with the difficulties. Operation costs have been cut from \$1,060,082 to \$967,692 and maintenance from \$427,735 to \$376,568 an aggregate saving of \$143,557 or 9.65% for the year. On the other hand, interest has increased by \$142,129 almost an equivalent amount and largely due to conversion of loans at increased interest rates.

While economy programs will be vigorously continued fixed charges cannot be materially altered and in any economy program care is necessary to avoid impairment of the service to the public. There seems to be little hope of keeping expenses down to revenue levels on account of the burden of fixed charges on the capital debt. This is particularly true with regard to the rural telephone system which, under the best conditions is a very heavy drain on the more remunerative branches of the System. I would again stress the necessity

for the most serious consideration of the rural telephone problem

The usual tables showing earnings and expenses, interest and sinking fund, for the last twelve years follow:

	<u>Telephone Earnings:</u>	<u>Telephone Expenses:</u>	<u>Number of Telephones:</u>
1920	\$1,930,884.00	\$1,377,116.00	42,854
1921	2,247,277.00	1,431,671.00	50,611
1922	2,359,551.00	1,380,564.00	53,421
1923	2,361,468.00	1,287,723.00	53,896
1924	2,399,080.00	1,242,842.00	54,215
1925	2,502,175.00	1,254,119.00	56,279
1926	2,772,372.00	1,266,519.00	56,930
1927	3,287,232.00	1,299,622.00	58,331
1928	3,622,237.00	1,364,108.00	60,222
1930	3,792,659.00	1,481,663.00	61,963
1931	3,555,992.00	1,471,534.00	57,837
1932	2,969,721.00	1,344,260.00	50,066

Interest & Sinking Fund

1920	\$ 622,454.00
1921	991,030.00
1922	1,347,426.00
1923	1,340,686.00
1924	1,373,631.00
1925	1,362,943.00
1926	1,369,672.00
1927	1,357,296.00
1928	1,331,123.00
1930	1,411,550.00
1931	1,461,234.00
1932	1,521,199.00

GENERAL:

The controversy regarding the connection of the Alberta Government Telephones with the City of Edmonton Telephone

System is still open. I would again recommend action toward final settlement.

As already suggested, effort has been extended to effect economies in every branch of the service and the effort will be continued. Without promise of decided improvement in general business conditions, however, there is little hope of anything but further heavy deficits in the fiscal year ahead.

Once more I wish to record my sincere appreciation of the co-operative work of our employees. Under the trials of short time and wage reductions they have been patient and loyal, striving to help in every way to give the telephone service, of which we are justly proud, under discouraging conditions.

Your obedient servant,

J.D. BAKER

DEPUTY MINISTER OF TELEPHONES

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GOVERNMENT OF THE PROVINCE OF ALBERTA

ALBERTA GOVERNMENT TELEPHONES

CONDENSED STATEMENT OF EARNINGS

For the Year ended March 31st, 1932.

Telephone Operating Revenue:

Exchange Earnings	\$1,497,528.87	
Rural Earnings	485,426.65	
Toll Earnings	986,766.47	
		<u>\$2,969,721.99</u>

Telephone Operating Expense:

Operation	967,692.41	
Maintenance	376,568.03	
		<u>1,344,260.44</u>

Net Telephone Earnings: \$1,625,461.55

Add: Sundry Earnings:

Directory Revenue	41,734.83	
Miscellaneous Revenue	47,759.37	
Interest Earned	37,228.08	
		<u>126,722.28</u>
Total Gross Income:		<u>1,752,183.83</u>

Deduct:

Interest	1,384,854.51	
Contingencies	1,199.41	
Commission and Exchange	11,887.92	
		<u>1,397,941.84</u>
Operating Surplus:		<u>354,241.99</u>

Other Deductions:

Sinking Fund Contribution	123,257.16	
Pension Fund Contribution	22,500.00	
		<u>145,757.16</u>
Balance Net Earnings:		<u>208,484.83</u>
Depreciation & Renewal Reserve		<u>823,766.29</u>
NET DEFICIT FOR THE YEAR:		<u><u>\$615,281.46</u></u>

SURPLUS ACCOUNT:

Corporate Deficit, March 31st 1931	\$39,670.65
Net Deficit for Fiscal Year 1931-32	<u>615,281.46</u>

CORPORATE DEFICIT, March 31st 1932 \$654,952.11

Certified Correct:

A.M. MITCHELL

Comptroller

GOVERNMENT OF THE PROVINCE OF ALBERTA

ALBERTA GOVERNMENT TELEPHONES

BALANCE SHEET as at MARCH 31st, 1932.

A S S E T S:

Plant in Service:

Real Estate	\$1,624,499.10	
Equipment	4,384,600.58	
Exchange Lines	3,483,620.40	
Rural Lines	7,400,699.56	
Toll Lines	<u>7,131,432.11</u>	
		\$24,024,851.75

Inventory & Supplies:

Office Furniture & Fixtures	77,231.26	
Tools & Vehicles	52,387.25	
Supplies	<u>610,883.30</u>	
		740,501.81

Current Assets:

Cash and Deposits	341,016.70	
Provincial Treasurer:		
Telephone Trust Account	74,405.82	
Proceeds of Treasury Bills	460,040.00	
Accounts Receivable	545,874.37	
Interest Receivable	5,329.76	
Prepaid Expenses, etc.	25,920.55	
Unbilled Custom Work & Sales	<u>488.91</u>	
		1,453,076.11

Special Funds:

Depreciation & Renewal Reserve	1,293,348.75	
Sinking Fund	1,503,552.02	
Pension & Death Benefit Fund	<u>291,229.98</u>	
		3,088,130.75

Intangible Assets:

Province of Alberta Subvention	354,000.00	
Debenture Discount	859,793.46	
Adjustment of Accrued Debenture Interest	334,847.18	
Adjustment of Accrued Sinking Fund	56,228.81	
Loss on Adjustment of Inventories	300,000.00	
Deferred Charges, New York Exchange	<u>208,832.78</u>	
		2,113,702.23
Corporate Deficit:		<u>654,952.11</u>
		\$32,075,214.76

ALBERTA GOVERNMENT TELEPHONES

BALANCE SHEET (Continued)

LIABILITIES:

Capital:

Debenture Debt	\$25,382,640.23	
Treasury Bills	1,352,000.00	
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	26,734,640.23	
Borrowings from Reserve	1,289,239.98	
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		\$28,023,880.21

Current:

Accrued Debenture Interest not due	503,362.45	
Accrued Sinking Fund not due	64,213.77	
Unearned Revenue, etc.	30,781.70	
	<hr/>	
		598,357.92

Reserves:

Depreciation & Renewal Reserve	1,293,348.75	
Sinking Fund Reserve	1,503,552.02	
Pension & Death Benefit Reserve	291,229.98	
Special Reserve	10,845.88	
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		3,098,976.63
Province of Alberta Subvention		354,000.00
		<hr/>
		\$32,075,214.76
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A.M. MITCHELL
Comptroller.

Edmonton, July 8th, 1932.

I have audited the books and records of the Alberta Government Telephones for the year ended March 31st, 1932, and the above Balance Sheet and accompanying statements of earnings are correctly prepared therefrom.

Operations for the year resulted in a net loss of \$615,281.46, increasing the net corporate deficit to \$654,952.11.

Charges against earnings for depreciation for the year under review amounted to \$947,023.45 as follows:

Direct Appropriations	\$823,766.29
Sinking Fund Contributions	123,257.16
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	\$947,023.45
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During the year only actual additions were charged to plant. Replacements and renewals and extraordinary repairs were charged to depreciation and renewal reserve in accordance with established telephone accounting practice.

Plant in service now amounts to \$24,024,851.75, and depreciation is provided for to the extent of the existing depreciation and sinking fund reserves, amounting in all to \$2,796,900.77.

The existing provision for depreciation consists of an annual charge of 3.1/2% of plant in service plus 1/2 of 1% set aside in respect of debenture debt. In my opinion, the amount provided will prove inadequate to meet future charges, and the annual provision should be increased accordingly.

With respect to the amount placed in the sinking fund, it is pointed out that the total sinking fund as at March 31st, 1932, was more than offset by intangible assets and was, therefore, not available for depreciation purposes.

A physical inventory of central office equipment amounting to \$2,308,500.48 was taken by officials of the Alberta Government Telephones during the year under review. The units of plant inventoried were priced at cost, and the resulting total showed very slight variation from the capitalization records. No complete physical inventory has been taken since the Wray appraisal in 1918 and, in my opinion, an inventory of pole lines should be completed without delay.

Borrowings from the depreciation and renewal reserve fund for the purpose of financing construction amount to \$1,289,239.98. Interest at 5% is provided on these borrowings.

A physical inventory of supplies was taken on January 31st, 1932, and priced at cost. The records were adjusted accordingly. Units of plant in workable condition, taken out of service are returned to stores at average cost without further allowance for depreciation or obsolescence. A proportion of the current inventory is made up of items of this nature.

The pension fund is not arranged on an actuarial basis, and examination of estimates and statistics indicate that the yearly contributions have not been sufficient to provide for future requirements.

Reserve for uncollectable accounts receivable amounts to \$24,256.46, and is, in my opinion, inadequate.

No provision has been made in the above Balance Sheet in respect of premium on debenture interest payable in New York and maturing on April 1st, 1932, or for accrued premium on interest maturing at a later date.

Subject to the foregoing remarks, I certify that, in my opinion, the above Balance Sheet is properly drawn up so as to show the financial position of the Alberta Government Telephones as at March 31st, 1932, and the accompanying relative statement of earnings fairly states the result of operations for the fiscal year ended at this date.

JAMES C. THOMPSON, C.A.

Provincial Auditor.

Subject to the foregoing remarks, I certify that,
in my opinion, the above balance sheet is properly drawn up so as to
show the financial position of the above-named business as at
March 31st, 1931, and the accompanying relative statement of receipts
and disbursements for the financial year ended at this
date.

W. A. J. J. J. J. J.

Provisional Auditor.

